

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2006**



UTHUKELA DISTRICT MUNICIPALITY

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MEMBERS OF THE EXECUTIVE COMMITTEE

MAYOR : S.M. Sithole
Deputy Mayor: S.A. Mvelase
Speaker: N.M. Hadebe
Exco Councillor : M.V. Madlala
M.D. Mazubuko
B.A. Mnculwane
S.A. Mvelase
Councillor : S. Bandu
S.N. Mchunu
B.C. Buthelezi
D.S. Nhangathi
R.M. Mlaba
T.Y. Nqubuka
S.T. Ntshahinshali
F.A. Khan
M.N. Mlotshwa
J.M.H. Wood
G. Singh
Z.J. Dladwa
P.J. Hurter
N.B. Hlongwane
C.B. Mabizela
T.A. Sigubudu
M.V. Madlala
N.N. Mabanga
T.P. Mazibuko
C.J.S. Nunes
T.M. Cele
V.M. Zimba
E.S. Zulu
S.P. Hadebe
B.H. Sithole

GRADING OF THE LOCAL AUTHORITY

Grade 4

AUDITORS

Auditor - General: Pietermaritzburg

BANKERS

ABSA Bank - Ladysmith

REGISTERED OFFICE

76 Murchison Street
Ladysmith
3370

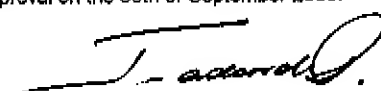
PO Box 116
Ladysmith
3370

Telephone: (036) 6385100
Fax :Number (0360) 6375608
email: midesha@uthukela.co.za

The annual financial statements set out on pages 3 to 21 were approved by the Municipal Manager on 31 August 2006 and will be presented to the Council for approval on the 30th of September 2006.


MUNICIPAL MANAGER

Mr. S S B Nkehli


CHIEF FINANCIAL OFFICER

Mr. J N Madondo

FOREWORD

The 2005/2006 financial year has been dynamic taking into consideration that there were local government elections which took place in March 2006. Having been subsequently elected into office sound finances for this council will be one of my areas of focus. Without sound financial administration a municipality cannot be in a position to meet developmental demands of its residents. The Chief Financial Officer alludes to the financial statements for 2005/2006 which presents the financial position of this Council as at 30 June 2006. What we have experienced so far will assist us in making what is better even much better in as far as the finances are concerned.

Our district has tremendous challenges. We are faced with backlogs in the provision of water and sanitation facilities; whilst we are at the same time faced with the renewal of dilapidated water and sanitation infrastructure which we inherited from some of our local municipalities. All these challenges have huge financial implications for this municipality. Besides all these challenges I pledge our full commitment to the provision of effective, efficient and sustainable service delivery to our communities within the district. We will continue with our programmes which are purported at the alleviation of poverty and fight HIV/AIDS. It is my firm belief that the economy of the district need to be given a special attention. Beyond any doubt we will maximize our utilisation of our natural resources through the proper implementation of our various plans which inter alia include Tourism Plan, Agricultural Plan, Growth and Development strategies and others.

During the short span I have served this Council I have noticed a kind of dedication by our officials in pursuance of their day to day activities. I have also witnessed the same with the conduct and dedication shown by the councilors during the proceedings of my Council. I am also thrilled with undivided support and cooperation rendered to our municipality by the local municipalities as well as our communities. It is therefore my wish that the co-operation that has been received by my predecessor from the officials, councilors and community be sustained. The similar wishes are extended to the local municipalities and urge that the cooperation that existed during the previous years be sustained.

In conclusion I invite all roles players in the spirit of cooperative governance to join hands with our Municipality and grow beyond politics for the betterment of our communities and the country as a whole. I pray that our Almighty God be with us as uThukela community and attain all our developmental aspirations.



CLLR S M SITHOLE
HIS WORSHIP THE MAYOR OF
UTHUKELA DISTRICT MUNICIPALITY



EXECUTIVE DIRECTOR FINANCE'S REPORT

1) INTRODUCTION

The mission of the Uthukela District Municipality is to improve the general quality of lives of the communities in the Uthukela region by satisfying their basic needs through infrastructural provision and also meet the developmental needs via various programmes whilst ensuring effective local governance. This mission has been standing unchanged for a number of years, this is informed by various issues, inter alia the relevance with regard to the issues faced by the communities today, for example socio-economic challenges and changes, the role local government is expected to play as against resources available etc.

In pursuit of the above, Council has met extreme financial challenges which in many instances is aggravated by external factors e.g. the changes in powers and functions. However a multi-faceted strategy is being implemented to face up to challenge e.g. Municipal Assistance Programme (MAP) from Provincial Government etc. These initiatives have helped the municipality in taking its rightful seat in service delivery.

The outstanding achievements with the disengagement with uThukela Water (Pty) Ltd is one of the most positive issues which emphasises the seriousness of the administration in accounting for every cent spent by the Municipality from the claimed R 22 million to R 2 million.

Resource Support Services realised an actual surplus of R 5 376 735 whilst District Water and Sanitation services resulted in a deficit of (R 8 739 446) the contributing factors thereto are explained below.

The operating deficit of (R3 362 711) and appropriations of R 24 476 383 have resulted in a net deficit of (R21 113 672) which decreased the accumulated deficit of (R77 839 961) at 30 June 2005 to (R56 726 289) at 30 June 2006.

Water transferred assets which would resulted in a qualification in 2004/2005 were revaluated by engineers which resulted in the increased value.

2) OPERATING RESULTS

Details of the results per department, classification and object of expenditure are included in appendices D and E. The applicable statistics are shown in appendix F. The overall operating results for the year ended 30 June 2006 are as follows :

INCOME	Actual 2004/05 R	Actual 2005/06 R	Variance Actual/ Budget %	Budget 2005/06 R
Opening Surplus	-	-		
Operating Income for the Year	189 043 115	222 844 678	-15.8%	264 601 224
Sundry Transfers	3 239 468	24 476 383		
	192 282 583	247 321 061		264 601 224
EXPENDITURE				
Opening Deficit	37 333 616	77 839 961		
Operating Expenditure	232 788 928	226 207 389	14.5%	264 601 224
Closing Deficit	(77 839 961)	(56 726 289)		
	192 282 583	247 321 061		264 601 224

2.1) RESOURCE SUPPORT SERVICES

	Actual 2004/05 R	Actual 2005/06 R	Variance Actual/ Budget %	Budget 2005/06 R
Income	114 783 369	144 423 994	-5.32%	168 233 428
Expenditure	108 370 754	139 047 259	10.38%	168 233 428
(Deficit)/Surplus	6 412 615	5 376 735		-
Surplus (Deficit) as % of Total Income	5.59%	3.72%		0.00%

2.4) TRADING SERVICES : WATER AND SANITATION

	Actual 2004/05 R	Actual 2005/06 R	Variance Actual/ Budget %	Budget 2005/06 R
Income	74 259 746	78 420 684	0.35%	96 367 796
Expenditure	124 418 174	87 160 130	-33.93%	96 367 796
Deficit	(50 158 428)	(8 739 446)		-
Surplus (Deficit) as % of Total Income	-67.54%	11.14%		0.00%

The District Municipality appointed uThukela Water (Pty) Ltd from the 1st of July 2004 as the Water Services provider for this district. On the 9th of December 2004 this function reverted back to the District Municipality. The Local Municipalities performed the billing and collection functions up to the 30th of June 2005.

3) CAPITAL EXPENDITURE AND FINANCING

	Actual 2005/06	Budget 2005/06
CAPITAL EXPENDITURE		
Resource Support Services	1 288 939	102 538
Regional Water services	285 448 714	52 991 000
	286 737 653	53 093 538
FINANCING OF THE FIXED ASSETS		
Internal loan Capital Development Fund	1 017 855	-
Contributions from Current Income	790 131	660 000
Grants and Subsidies	275 201 965	150 293 442
External Loans	-	-
DBSA Creditor	3 502 683	-
	280 612 634	150 953 442

A complete analysis of capital expenditure (budgeted and actual) per department, classification or service is included in appendix C. More details regarding external loans and internal advances used to finance fixed assets are shown in appendix B.

Water and sanitation assets from the local Municipalities has been capitalised during this financial year as is reflected at book value and loan values respectively as supplied by the Local Municipalities.

4) EXTERNAL LOANS, INVESTMENTS AND CASH

External Loans outstanding on 30 June 2006 amounted to R 30 551 058 as set out in appendix "B"
Loans totalling R 4 064 539 were repaid during the year.

Investments amounted to R14 321 230 on 30 June 2006.
The investments are disclosed at Actual Surrender Value for the Metropolitan investments
and at market value for others.

The Bank Overdraft on 30 June 2006 amounted to R 20 133 044

More information regarding loans and investments is disclosed in notes 5 and 7 and appendix B
to the financial statements.

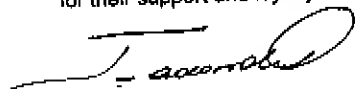
5) FUNDS AND RESERVES

The Consolidated Capital Development Fund has increased by R 11 603 476 to R 15 571 357. Advances
amounting to R 846 948 have been granted to borrowing services while R 455 999 has been repaid and/or
written-off.

More information regarding funds and reserves is disclosed in notes 1 to 4 and appendix A to
the financial statements.

EXPRESSION OF APPRECIATION

I am grateful to the Mayor, Councillors, the Municipal Manager and Heads of Departments for
their support during the past year. A special word of thanks to the staff of the Treasury Department
for their support and loyalty.



EXECUTIVE DIRECTOR FINANCE

DATE : 31/08/2006



ACCOUNTING POLICIES

1) BASIS OF PRESENTATION

- 1.1 These Financial Statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Treasurers and Accountants in its Code of Practice (1997) and Report on the Standardisation of the Financial Statements of Local Authorities (5th Edition, as amended).
- 1.2 The Financial Statements are prepared on the Historical Cost Basis, adjusted for Capital Expenditure as more fully detailed in note 5.
The Accounting Policies are consistent with those applied in the previous year, except if otherwise indicated.
- 1.3 The Financial Statements are prepared on the accrual basis :
Income is accrued when collectable and measurable.
Expenditure is accrued in the year it is incurred.

2) CONSOLIDATION

The Balance Sheet includes the Resource Support Services, District Water and Sanitation services and the different Funds, Reserves and Provisions. All inter departmental charges are set-off against each other, with the exception of Regional Council levies and subsidies, which is treated as income and expenditure in the respective Departments.

3) FIXED ASSETS

- 3.1 *Fixed assets are stated :*
 - at historical cost, or
 - at valuation (based on market price at date of acquisition).where assets have been acquired by Grant or Donation these assets were capitalised at the values supplied by the Local Municipalities and to the value of the balance of external loans. Where no values were available, assets were capitalised at a nominal R1-00 value.
- 3.2 *Depreciation*

The balance shown against the heading " Loans Redeemed and Other Capital Receipts" in the notes to the Balance Sheet is tantamount to a provision for Depreciation. Apart from advances from the various council funds, assets may also be acquired through :

 - appropriations from income, where the full cost of the asset forms an immediate and direct charge against the operating income and therefore it is unnecessary to make any further provision for depreciation
 - grants and donations, where the amount representing the value of such grant or donation is immediately credited to the " Loans Redeemed and Other Capital Receipts" account.
- 3.3 All net proceeds from the sale of fixed assets and insurance claims are credited to the Capital Development Fund.
- 3.4 Capital Assets are financed from different sources, including external loans, operating income and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans and advances. Interest on internal loans is charged at a 10% interest rate in the financial year following the purchase and is charged to the service concerned.

4) STOCK

Stock is reflected in the Balance Sheet at the original cost.

5) FUNDS AND RESERVES

5.1 Capital Development Fund

Section 103(9)(b)(i) of the Local Authority Ordinance, 1974 (No.25 of 1974) requires a contribution of not less than 3 per cent of the annual revenue accruing to the borough fund and to the relevant trading funds; provided that when a capital development fund has reached an amount which is sufficient for the councils immediate or foreseeable needs the council may suspend or reduce contributions to the fund for a period as may be approved by the Premier.

5.6 PROVISIONS

Provisions are utilised for the specific purposes and contributions are made from the operating account.

5.7 TRUST FUNDS

Trust funds represents the balance of amounts received less expended for deceased employees and councillors and the amount held in the Premier Fund for special projects.

6) SURPLUSES AND DEFICITS

Any surpluses or deficits arising from the operation of each serve is transferred to the appropriation account.

7) LEASED ASSETS

Fixed assets under finance leases are capitalised. Such assets are effectively amortised over the term of the lease agreement.

Lease finance charges are allocated to accounting periods over the duration of the leases, by the effective interest rate method, which reflects the extent and cost of the lease finance utilised in each accounting period.

All other leases are treated as operating leases and the relevant rentals are charged to the operating account in a systematic manner related to the period of use of the assets concerned.

8) INVESTMENTS

Investments are shown at original and are invested in accordance with section 10G (9)(a) of the Local Government Transitional Act, second amendment Act,1996,(Act 97 of 1996), except for Metropolitan Life Investment Policies which are shown at Actual Surrender values.

9) INCOME RECOGNITION

9.1 Water and Sanitation Billing

Meters are read and billed monthly and income from water and sanitation sales is recognised on the date for such billing.

Levy Assessments.

Estimated assessments are raised for delinquent payers, even though the measurability and collectability of the income is not reasonably assured, due to the ever changing status of most of the levy payers.

10) PROVISIONS

Provisions are established where considered necessary and the basis used to determine contributions is as follows;

Maintenance provision: Contributions are based on current year budgets as deemed necessary unless specifically deemed otherwise.

Leave provision: Leave and pro-rata leave due to all employees is calculated as at the end of the financial year. The value thereof is based at current salary scales as at the end of the financial year.

Bad debt provision: a provision for bad debt has been made to provide for envisaged irrecoverable consumers debtors, sundry debtors and levy debtors.



BALANCE SHEET AS AT 30 JUNE 2006

	Notes	2005/2006 R	2004/2005 R
CAPITAL EMPLOYED			
FUNDS AND RESERVES		37 091 600	31 984 095
Statutory Funds	1	15 571 357	11 603 476
Reserves	2	801 971	734 399
Non-distributable Reserve	3	20 718 271	19 646 220
ACCUMULATED DEFICIT	18	(58 726 289) (19 634 688)	(77 839 961) (45 855 866)
TRUST FUNDS	4	980 824	1 003 439
LONG-TERM LIABILITIES	5	27 728 969 9 075 105	30 061 957 (14 790 470)
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	6	33 106 850	35 956 918
INVESTMENTS	7	14 321 230	10 233 789
LONG-TERM DEBTORS	8	1 888 953 49 317 033	1 132 599 47 323 306
NET CURRENT LIABILITIES		(40 241 928)	(62 113 776)
CURRENT ASSETS		58 065 720	29 726 877
Inventory	9	3 437 036	313 454
Debtors	10	54 305 392	29 023 406
Cash and cash equivalents	13	177 191	5 300
Short term portion of long-term debtors	8	146 102	384 717
CURRENT LIABILITIES		98 307 648	91 840 653
Provisions	11	5 730 346	4 960 685
Creditors	12	69 622 169	68 269 691
Short-term portion of Long-term Liabilities	5	2 822 089	3 730 117
Bank Overdraft	13	20 133 044	14 880 160
		9 075 105	(14 790 470)

MUNICIPAL MANAGER

CERTIFIED AS CORRECT

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

2004/2005	2004/2005	2004/2005	2005/2006	2005/2006	2005/2006	2005/2006	2005/2006
Actual Income	Actual Expenditure	Actual Surplus/ (Deficit)	District Service	Actual Income	Actual Expenditure	Actual Surplus/ (Deficit)	Budgeted Surplus/ (Deficit)
R	R	R		R	R	R	R
189 043 115	232 788 928	(43 745 813)	District Service	222 844 678	226 207 389	(3 362 711)	-
114 763 369	108 370 754	6 412 615	Resources Support Services	144 423 994	139 047 259	5 376 735	-
74 269 746	124 418 174	(50 158 428)	District Water and Sanitation	78 420 684	87 160 130	(8 739 446)	-
189 043 115	232 788 928	(43 745 813)	TOTAL	222 844 678	226 207 389	(3 362 711)	-
		3 239 468	Appropriation for this Year (Refer working papers)			24 476 383	
		(40 506 345)	Net surplus/ (deficit) for the Year			21 113 672	
		(37 333 616)	Accumulated (Deficit)/Surplus beginning of the year			(177 839 961)	
		(77 839 961)	ACCUMULATED DEFICIT AT END OF THE YEAR			(56 726 289)	

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

CASH GENERATED IN OPERATING ACTIVITIES

Cash (utilised)/ generated in operations
Investment income
(Increase)/ Decrease in working capital

Less : External Interest Paid

Cash (utilised)/ generated in operations

Cash contributions from the public and the state

Net proceeds on disposal of fixed assets

CASH GENERATED FROM INVESTING ACTIVITIES

Increase/ Decrease in Long Term Debtors
Investments in Fixed assets

NET CASH INFLOW

Cash effects of financing activities

Decrease/ Increase in long-term borrowings
(Increase)/Decrease in cash investments
Decrease/ (Increase) in cash and cash equivalents

Net Cash (utilised)/ Generated

Note	2006	2005
	R	R
	289 502 857	211 486 418
19	(3 854 298)	71 064 679
17	1 663 738	1 690 334
20	(30 723 090)	30 962 145
	(32 913 650)	103 737 158
	(3 445 306)	(3 186 857)
	(36 358 958)	100 550 301
	325 861 815	110 917 006
		19 111
	(287 255 392)	(208 778 050)
	(517 738)	811 176
6	(288 737 663)	(209 589 225)
	2 247 464	2 708 368
21	(3 241 016)	6 856 683
22	(4 087 441)	(2 850 500)
23	5 080 993	(6 714 550)
	(2 247 464)	(2 708 367)

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2006

1) **Statutory Funds**

Capital Development Fund RSS
Capital Development Fund Emnambithi

(Refer to appendix A for more details)

2006/2006	2004/2005
R	R
15 571 357	11 603 478
15 571 357	11 603 478

2) **Reserves**

Maintenance Fund

(Refer to appendix A for more details)

2006/2006	2004/2005
R	R
801 971	734 389
801 971	734 389

3) **Non-distributable Reserve**

Water and Sanitation take-on balances

This represents the net-effect of the entire Water and Sanitation take-on balances from the Local Municipalities.

2006/2006	2004/2005
R	R
(20 718 271)	19 646 220

4) **Trust Funds**

Estate Late M.N. Sithole
Estate Late V.J. Mngomezulu
Estate Late J.P. Sokhela
Estate Late G. Matatoka
Estate Late C. Buthelezi
Estate Late S.J.T. Ndlovu
Estate Late ZP Mthabela
Estate Late NM Khumalo
Premier fund

(Refer to appendix A for more details)

2006/2006	2004/2005
R	R
980 824	1 003 439
57 788	52 901
74 706	71 418
63 943	58 555
144 767	132 569
31 396	28 751
10 573	9 682
518 415	474 735
40 958	136 631
38 298	38 298

5) **Long Term Liabilities**

Annuity Loans: DBSA
Lease commitments

Less : Current portion transferred to Current Liabilities

Annuity Loans: DBSA
Lease commitments

Long term liabilities

(Refer to appendix B for more detail on Long-term Liabilities)

2006/2006	2004/2005
R	R
29 937 162	33 428 432
613 896	365 642
30 551 058	33 792 074
2 622 089	3 730 117
2 487 779	3 484 305
334 309	265 812
27 728 969	30 061 957

ANNUITY LOANS

Loans bear an interest rate between 0% and 15.25% per annum and are repayable over periods between five and twenty years. The annuity loans comprises of 6 loans approved by the Development Bank of South Africa namely R 10 522 000 @ 10% and R 310 000 @ semi-floating interest rate for the Emnambithi RWS projects. A loan of R 5 720 000 @ 12% and R 980 000 @ 15.25% for the Emnambithi Reticulation projects, and a loan of the R 5 000 000 @ 12% for the Uthukela Rural Water and Sanitation projects. A loan of R 3 300 000 @ semi-floating interest rate for the Ekuvukeni water meters project. New Loans taken over from the Local Municipalities as a result of the take over of the Water and Sanitation functions for the current year are: Ezakheni Water DBSA ex Lady Smith @ 11% for R 10 617 253 and two DBSA loans for Winterton ex Okhahlamba Local Council 1) @ 13.75% R17 720 and the 2) @ 14.6% R85 000.

LEASES

Leases consist of 6 various vehicle leases. Interest is coupled to the prime lending rate. One lease is for a vehicle transferred to Indaka local municipality.

6) **Fixed Assets**

Fixed assets at the beginning of the year
Capital Expenditure during the year
Less : Assets written off, transferred or disposed of during the year

Total Fixed Assets

Less : Loans Redeemed and Other Capital Receipts
Net Fixed Assets

(Refer to Appendix C and Section 3 of the Executive Director Finance's Report for more details on fixed assets)

2006/2006 R	2004/2005 R
341 818 482	132 885 214
288 737 853	209 580 225
9 075 088	634 977
619 482 027	341 818 462
586 375 178	305 862 544
33 106 850	35 956 918

7) **Investments**

Unlisted

Fixed Deposit
Metropolitan Life Investment policies

649 259	809 282
13 671 971	9 624 507
14 321 230	10 233 789

Managements Valuations of Unlisted investments

14 321 230 **10 233 789**

Average Rate of Return on Investments

12.43% **12.43%**

Funds are invested according to section 10 G (9)(a) of the Local Government Transitional Act, Second Amendment Act, 1996 (Act 97 Of 1996).

The Metropolitan Life Investment Policies amounting to R 7 472 992 are ceded to ABSA Bank as security for Bank Overdraft Facility.

8) **Long Term Debtors**

Deposits
Vehicle Loans

Less: Short term portion of of long-term debtors

1 076 339	355 205
958 716	1 182 111
146 102	384 717
1 888 953	1 132 599

9) **Inventory**

Inventory represents promotional items and chemicals.

3 437 036	313 454
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10) **Debtors**

South African revenue services
Sundry debtors
Advances
Group life
Consumers & others
Levy debtors
Amounts paid in advance
Debtors (Projects)

11 434 732	4 089 807
9 112 126	11 585 339
263 296	61 839
72 544	82 544
70 020 585	46 146 002
-	-
78 381	65 108
-	-
90 981 623	62 029 639
(36 676 232)	(33 006 233)
54 305 392	29 023 406

Less :Provision for doubtful debts

11) **Provisions**

Leave Gratuity

5 730 346	4 960 685
------------------	------------------

12) **Creditors**

Imbabazane municipality
Indaka Municipality
Development Planning projects
KZN C.M.I.P.
DWAF
Social Pilot project
Community Based Public Works Programme
Trade Creditors
Department of Land Affairs
KZN Projects (Grant Funding)
PIMMS
MIG
South african Revenue Services
Uthukela Water (Pty) Ltd
Sundry
Other

(3 128 776)	(5 127 727)
-	-
(16 122)	(16 122)
-	-
(20 388 514)	(13 612 074)
(856 860)	(856 860)
(182 952)	(343 793)
(8 704 349)	(10 430 658)
(987 486)	(1 050 923)
(7 234 580)	(11 028 414)
(795 720)	(1 663 207)
-	-
(5 739 980)	(5 521 148)
(7 140 879)	(8 265 439)
(8 483 285)	(7 339 757)
(5 055 381)	(2 965 087)
(65 694 684)	(68 221 209)
(927 285)	(48 482)
(66 622 169)	(68 269 691)

Consumer deposits

13) **Cash and Cash Equivalents**

Bank Overdraft
Main bank account - overdraft
Less: Community Based Public Works Program account
Bank Premier fund afsan
Add: UDM Water

Cash and Cash Equivalents
Cashier float
Community Based Public Works Program account
Petty Cash

The Bank Overdraft above is partially secured by Metropolitan Life Investment policies ceded to ABSA Bank, refer to note 7 above.

2006/2006
R

2004/2005
R

20 133 044	14 880 180
19 035 239	15 262 251
0	(343 793)
1 097 804	(38 288)
177 191	5 300
2 700	300
169 491	
5 000	5 000

14) **Councillor's Remuneration**

Mayor's Allowance
Deputy Mayor's Allowance
Councillors
Executive Committee
Standing Committee
Local municipality Attendance
Speaker Allowance
Use of Personal Facilities
Medical Aid Contributions

377 957	300 548
334 386	258 100
1 050 420	770 900
425 106	288 791
-	-
8 900	4 000
193 183	-
36 101	28 211
17 737	23 154
2 441 790	1 671 704

15) **Remuneration Section 57 Employees**

Annual Package:

Municipal Manager
Deputy Municipal Manager
Executive Director Corporate Services
Executive Director Technical services
Chief Financial officer
Director Social and Economic Services
Water Services Authority Manager

Performance Bonus:

Municipal Manager
Deputy Municipal Manager
Executive Director Corporate Services
Executive Director Technical services
Chief Financial officer
Director Social and Economic Services
Water Services Authority Manager

4 395 408	4 099 980
828 278	794 904
766 152	735 288
571 512	548 484
571 512	548 484
804 644	580 284
466 012	446 268
588 300	446 268
546 306	620 199
125 302	120 238
115 911	111 222
86 462	82 969
86 462	82 969
81 467	87 769
70 351	67 516
70 351	67 516
5 041 714	4 720 179

16) Auditors Remuneration

Audit fees
Current

2005/2006
R

2004/2005
R

817324

17) Finance Transactions

Total external interest earned or paid :
Interest earned

Interest paid

Capital Charges debited to operating account :
Interest :

External
Internal

Redemption :

External
Internal

18) Appropriations

Appropriation account :

Accumulated deficit at the beginning of the year
Operating Deficit for the year
Appropriations for the year
Transferred to deficit
Prior year adjustments

Operating account
Capital Expenditure

Contributions to :

Maintenance Reserve
Capital development Fund
Leave gratuity
Bad debts

19) Cash generated/(utilised) by operations

(Deficit) for the year

Adjustments in respect of :

Previous year's operating transactions

Appropriations charged against Income :

- Capital development Fund
- Reserves
- Provisions
- Capital Outlay

Capital Charges

* Interest paid

- To internal funds
- On external Loans

* Redemption

- Of internal advances
- Of external Loans

Loss on disposal of fixed assets

Investment income charged to operating account

Non operating income

- Credited to funds provisions and reserves
- From grants

Non operating expenditure

- Expenditure charged against Statutory Funds
- Expenditure charged against Creditor Reserves
- Expenditure charged against Trust Funds

Amount To Cashflow Statement

1 663 738	1 890 334
3 445 308	3 188 857

3 662 345	3 424 353
3 445 308	3 188 857
217 037	237 496
4 520 638	1 900 982
4 064 539	1 397 559
455 999	503 423
8 182 883	5 325 335

(77 839 961)	(37 333 616)
(3 362 711)	(43 745 813)
24 478 383	3 239 468
3 804 355	1 000 000
20 672 028	2 239 468
(66 728 289)	(77 839 961)

790 131	1 640 974
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3 325 553	3 504 485
768 681	3 368 804
3 870 000	32 649 770
7 765 214	39 523 059

(3 362 711)	(43 745 813)
24 478 383	3 239 468
8 555 345	41 164 032
3 325 553	3 504 485
-	-
4 439 681	36 018 573
790 131	1 640 974
8 074 364	5 206 587
3 563 828	3 305 605
108 518	118 748
3 445 308	3 188 857
4 520 638	1 900 982
455 999	503 423
4 064 539	1 397 559
-	284 579
(988 118)	(443 882)
(40 512 708)	137 764 931
10 147 142	171 557 925
(50 659 850)	(33 792 984)
(98 854)	(72 406 223)
-	-
(98 854)	(72 392 408)
-	(12 815)
(3 854 298)	71 064 679

20) Cash utilised to (increase)/ decrease working capital

(Increase)/Decrease in Stores
(Increase) in Debtors
Increase in Creditors

Amount To Cashflow Statement

2005/2006
R

2004/2005
R

(3 123 582)	(209 552)
(28 951 988)	(47 567 923)
1 352 478	78 759 820
(30 723 090)	30 982 145

21) (Decrease)/ Increase in Long term borrowings

- Loans raised
- Loans repaid

Amount To Cashflow Statement

823 523	8 342 715
(4 064 539)	(1 486 032)
(3 241 016)	8 856 883

22) (Increase)/Decrease in cash investments

- Investments realised
- Investments made

Amount To Cashflow Statement

17 048 427	15 228 942
(21 135 869)	(18 077 442)
(4 087 441)	(2 850 500)

23) Decrease/ (Increase) in Cash and Cash Equivalents :

- Cash Balance at beginning of year
- Less: Cash Balance at end of year

(14 874 860)	(21 589 410)
(19 955 853)	(14 874 860)
5 080 993	(6 714 550)

24) Contingent Liabilities and Contractual Obligations

South African Revenue Services pending VAT disallowance

2 990 456	2 990 456
2 990 456	2 990 456

25) Capital Commitments

Commitments in respect of capital expenditure:
Approved but not contracted for

30 442 234	28 571 392
30 442 234	28 571 392

This expenditure will be financed from:

- External Sources

MSIG
PIMMS
Grants - KZN
Comm. Based Public Works programme
C.M.I.P.
Department of Land Affairs
Department of Water Affairs
DPLG - Drought Relief
Social pilot project
Development planning
Sports and Recreation

30 442 234	22 707 085
1 338 789	-
-	2 108 288
5 415 999	5 454 035
182 952	343 793
-	-
1 123 467	1 188 904
20 388 514	13 612 074
16 365	4 615 727
858 880	-
16 122	-
1 123 136	1 252 570

26) Capital Development Fund

Outstanding advances to borrowing services
Accumulated Funds
Less: Invested

15 571 357	11 603 478
(13 016 686)	(9 438 833)
2 555 792	2 164 843

(refer to appendix A & B for more detail)

ACCUMULATED FUNDS, TRUST FUNDS, PROVISIONS AND RESERVES

	Balance at 30/06/2005	Contributions during the Year	Interest on Investments	Other Income	Expenditure during the Year	Balance at 30/06/2006
ACCUMULATED FUNDS						
CAPITAL DEVELOPMENT FUNDS						
Consolidated Capital Development Funds	11 603 476	3 325 553	642 328			15 571 357
<i>Total</i>	11 603 476	3 325 553	642 328	-	-	15 571 357
RESERVES						
Maintenance Fund	734 399		67 572			801 971
<i>Total</i>	734 399	-	67 572	-	-	801 971
TRUST FUNDS						
Estate Late M.N. Sithole	52 901		4 867			57 768
Estate Late V.J. Mngomezulu	71 418		6 571		3 283	74 706
Estate Late J.P. Sokhela	58 555		5 388			63 943
Estate Late G. Matatoka	132 569		12 198			144 767
Estate Late C. Buthelezi	28 751		2 645			31 396
Estate Late S.I.T. Ndlovu	9 682		891			10 573
Estate Late ZP Mthabela	474 735		43 680			518 415
Estate Late NM Khumalo	136 531				95 572	40 959
Premier Fund	38 298					38 298
	1 003 440	-	76 239		98 854	980 824
PROVISIONS						
Leave Gratuity	4 960 685	769 661				5 730 346
<i>Total</i>	4 960 685	769 661	-	-	-	5 730 346
	18 302 000	4 095 214	786 140	-	98 854	23 084 498

EXTERNAL LOANS AND INTERNAL ADVANCES

	Balance 30/06/2008	Received during the Year	Interest Accrued	Redeemed, written off during the Year	Balance 30/06/2008
EXTERNAL LOANS					
<i>Is Redeemable</i>					
Finance leases	365 642	810 110		561 856	613 896
Annuity Loans: DBSA	33 426 432	-	13 413	3 502 683	29 937 162
	33 792 074	810 110	13 413	4 064 539	30 551 058

	Balance 30/06/2008	Received during the Year		Redeemed, written off during the Year	Balance 30/06/2008
INTERNAL ADVANCES TO BORROWING SERV.					
Capital Development Fund	2 164 843	846 948		455 999	2 555 792
	2 164 843	846 948		455 999	2 555 792

ANALYSIS OF FIXED ASSETS

Expended 2005	SERVICE	Budget 2006	Balance at 01/07/2005	Expended 2005/2006	Written off, transferred, redeemed or disposed of during the Year	Balance at 30/06/2006
R		R	R	R	R	R
16 665 986	GENERAL SERVICES	63 093 538	341 819 462	286 737 653	9 075 088	619 482 027
16 665 986	Resources Support Services	63 093 538	341 819 462	286 737 653	9 075 088	619 482 027
1 644 223		102 538	27 374 611	1 288 939	-	28 663 550
15 021 763	District Water and Sanitation Services	52 991 000	314 444 851	285 448 714	9 075 088	590 818 477
16 665 986	TOTAL FIXED ASSETS	63 093 538	341 819 462	286 737 653	9 075 088	619 482 027
18 410 878	LESS : LOANS REDEEMED AND OTHER CAPITAL RECEIPTS		306 862 544	280 512 634	-	586 375 178
1 041 241	Loans Redeemed		3 557 102	1 017 855		4 574 957
64 161	Contributions from Current Income		4 384 546	790 131		5 174 677
16 209 661	Grants and Subsidies		280 146 559	275 201 965		555 348 524
1 095 815	DBSA Loan redeemed		17 684 398	3 502 683		21 187 081
	Proceeds Insurance Claims		79 723	-		79 723
	Bank Overdraft		10 216	-		10 216
(1 744 892)	NET FIXED ASSETS		35 956 918	6 225 019	9 075 088	33 106 850

ANALYSIS OF OPERATING INCOME AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2006

<i>Actual 2005</i> R	<i>Actual 2006</i> R	<i>Budget 2006</i> R
(189 043 115) INCOME	(222 844 678)	(284 601 224)
(18 179 205) - <i>Levy income</i>	(16 979 653)	(16 200 000)
(106 012 968) - <i>Grants and Subsidies</i>	(150 293 442)	(151 428 657)
(64 246 286) - <i>Water and Sanitation Sales</i>	(53 277 349)	(96 367 796)
(604 656) - <i>Other income</i>	(2 294 235)	(604 771)
232 788 928 GROSS EXPENDITURE	226 207 389	264 601 224
43 888 189 - <i>Salaries, Wages and Allowances</i>	55 709 625	56 282 604
59 663 724 - <i>General Expenses</i>	44 408 289	48 519 176
3 994 023 - <i>Repairs and Maintenance</i>	9 717 654	11 298 050
4 954 658 - <i>Capital Charges</i>	8 182 863	9 144 184
1 640 974 - <i>Contribution to Fixed Assets</i>	790 131	660 000
40 523 058 - <i>Contributions</i>	7 765 214	11 299 908
78 124 302 - <i>Capital Projects</i>	99 633 592	127 397 302
232 788 928 NET EXPENDITURE	226 207 389	264 601 224

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STATISTICAL INFORMATION

	2006	2005
a) General Statistics		
(i) Levy tariffs		
Regional Services Levy (% of Salaries, wages and drawings)	0.30%	0.30%
Regional Establishment Levy (% of Turnover excluding VAT)	0.12%	0.12%
(ii) Number of Registered Levy Payers	5602	5602
(iii) Number of Employees	569	229
(iv) Water Tariffs		
Description		
1 Tariff for accessibility to water (occupied and unoccupied)	R20.00/month	
2 Sewer Tariff (Fixed Amount occupied and unoccupied)	R40.00/month	
3 Water tariff for restricted water use (un-metred)	R40.00/month	
4 Sewer tariff for restricted usage (un-metred)	R40.00/month	
5 Servicing sewer conservancy tanks/pits	R150.00/month	
Integrated Step Tariff		
6 Water tariff for water usage up to 1 000kl	R4.36/kl	
7 Water tariff for water usage above 1 000kl	R1.80/kl	
8 Bulk Raw water supply	R0.95/kl	
9 Bulk Portable water supply (IFC Estate)	R1.80/kl	
10 Emergency Services Connection (excluding emergency services)	R10.00kl	
11 All connections, repairs and work required from Council Domestic	Average Cost + 10%	
12 All connections, repairs and work required from Council other	Cost+10%	
13 Trade Effluent	$R = E \cdot \text{Flow}(35 + (S \times 0.75) + (A \times 0.08))$	
14 Account Deposits	2.5 Times Avg Monthly Account for new and defaulting consumers	